

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**April 28, 2021**

The Gardens at Quail Run II, located at South West Corner Quail Run Lane and Bruceville Road in Elk Grove requested and is being recommended for a reservation of \$1,820,661 in annual federal tax credits and \$10,400,000 in total state tax credits to finance the new construction of 107 units of housing serving large families with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Elk Grove Pacific Associates V, a California Limited Partnership and will be located in Senate District 6 and Assembly District 9.

**Project Number** CA-21-491

**Project Name** The Gardens at Quail Run II  
**Site Address:** South West Corner Quail Run Lane and Bruceville Road  
Elk Grove, CA 95757 County: Sacramento  
**Census Tract:** 96.37

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,820,661	\$10,400,000
Recommended:	\$1,820,661	\$10,400,000

**Applicant Information**

**Applicant:** Elk Grove Pacific Associates V, a California Limited Partnership  
**Contact:** Caleb Roope  
**Address:** 430 E. State Street, Suite 100  
Eagle, ID 83616  
**Phone:** 208.461.0022  
**Email:** calebr@tpchousing.com

**General Partner(s) or Principal Owner(s):** TPC Holdings IX, LLC  
Kelley Ventures, LLC  
Pacific Housing, Inc.  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** The Pacific Companies  
Kelley Ventures, LLC  
Pacific Housing, Inc.  
**Developer:** Pacific West Communities, Inc.  
**Investor/Consultant:** Boston Financial  
**Management Agent:** Aperto Property Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 5  
 Total # of Units: 108  
 No. / % of Low Income Units: 107 100.00%  
 Federal Set-Aside Elected: 40%/60% Average Income  
 Federal Subsidy: Tax-Exempt

**Bond Information**

Issuer: California Municipal Finance Authority (CMFA)  
 Expected Date of Issuance: October 5, 2021

**Information**

Housing Type: Large Family  
 Geographic Area: Capital Region  
 TCAC Project Analyst: Nick White

**55-Year Use / Affordability**

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
30% AMI: 11	10%
50% AMI: 11	10%
60% AMI: 64	60%
80% AMI: 21	20%

**Unit Mix**

15 1-Bedroom Units  
 66 2-Bedroom Units  
27 3-Bedroom Units  
 108 Total Units

<u>Unit Type</u> <u>&amp; Number</u>	<u>2020 Rents</u> <u>Targeted % of</u> <u>Area Median</u> <u>Income</u>	<u>2020 Rents Actual</u> <u>% of Area Median</u> <u>Income</u>	<u>Proposed</u> <u>Rent</u> <u>(including</u> <u>utilities)</u>
2 1 Bedroom	30%	30%	\$486
2 1 Bedroom	50%	50%	\$810
9 1 Bedroom	60%	60%	\$972
2 1 Bedroom	80%	80%	\$1,296
6 2 Bedrooms	30%	30%	\$582
6 2 Bedrooms	50%	50%	\$971
40 2 Bedrooms	60%	60%	\$1,165
13 2 Bedrooms	80%	80%	\$1,554
3 3 Bedrooms	30%	30%	\$673
3 3 Bedrooms	50%	50%	\$1,122
15 3 Bedrooms	60%	60%	\$1,347
6 3 Bedrooms	80%	80%	\$1,796
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,355,056
Construction Costs	\$20,666,995
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,030,000
Soft Cost Contingency	\$300,000
Relocation	\$0
Architectural/Engineering	\$795,000
Const. Interest, Perm. Financing	\$2,239,500
Legal Fees	\$100,000
Reserves	\$505,589
Other Costs	\$5,686,976
Developer Fee	\$4,566,875
Commercial Costs	\$0
<b>Total</b>	<b>\$37,245,991</b>

**Residential**

Construction Cost Per Square Foot:	\$231
Per Unit Cost:	\$344,870
True Cash Per Unit Cost*:	\$344,870

**Construction Financing**

Source	Amount
Cal Bank & Trust (Series A)	\$20,000,000
Cal Bank & Trust Recycled	\$7,860,000
Bonneville Recycled (Series B)	\$2,000,000

**Permanent Financing**

Source	Amount
Cal Bank & Trust (Series A)	\$10,300,000
Bonneville - Recycled (Series B)	\$2,000,000
Deferred Developer Fee	\$1,906,875
Tax Credit Equity	\$23,039,116
<b>TOTAL</b>	<b>\$37,245,991</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$35,012,710
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$45,516,523
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$1,820,661
Total State Credit:	\$10,400,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,566,875
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.81992
State Tax Credit Factor:	\$0.77992

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$35,012,710
Actual Eligible Basis:	\$35,012,710
Unadjusted Threshold Basis Limit:	\$43,751,667
Total Adjusted Threshold Basis Limit:	\$66,398,175

**Adjustments to Basis Limit**

Local Development Impact Fees

Highest or High Resource Opportunity Area

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 10%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 20%

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 4% of the qualified basis. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Significant Information / Additional Conditions:** None.

**Resyndication and Resyndication Transfer Event:** None.

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a reservation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

**CDLAC Additional Conditions**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.